

Fiscal Year 2010 Budget Message of the Town Manager March 2009

Background

Budget planning for FY 2010 began in late summer 2008. Municipal budgeting is a revenue-based process; expenditures cannot exceed revenues. The challenge is making a well-informed estimate of what the financial resources will be at the close of the fiscal year for which a budget is being developed. In other words, what do we expect our revenues to be at the end of June 2010 so that we do not have a deficit for that fiscal year? This generally means that the town is forecasting revenues 18 months in advance of receiving those revenues.

Complicating the budget planning process for FY10 was the precipitous decline in the national and world economy in late 2008, which resulted in cuts in state aid and reduced local revenues (motor vehicle excise and interest revenue). The town anticipated cuts in state aid and was able to absorb these cuts by evaluating vacant positions and leaving several positions unfilled.

With guidance from the Select Board, the Town Manager issued FY10 budget instructions in late November. These instructions were based on a possible reduction in net state aid of 15%. At that time, the Select Board established a general fund budget target of \$28,452,158 for the school department and a combined target of \$ 10,346,910 for all other operational departments funded through the general fund.

In February, when the Governor proposed his budget, state aid reductions were less than anticipated; \$169,000 in FY09 and additional \$168,000 in FY10. The Select Board restored funds to the capital budget and maintained the established budget targets.

The School Department submitted a budget that was \$117,000 above the target. The School Committee asked the Select Board to restore funds to save some critical teaching positions at the schools. In March, the Select Board voted to restore \$267,000 to the FY10 school budget by reallocating funds from the capital budget and through anticipated FY09 budget turn-backs from the schools.

All departments were charged with looking at fees and charges to ensure that fee-based services were consistent with the market cost of providing those services and that fees covered costs of these services; to look at departmental efficiencies and whether positions can be combined or whether there is a more efficient way to deliver services; to determine whether there are services which are non-essential and possibly obsolete; and to look at out-sourcing services for lesser costs or whether services could be combined with another department or community.

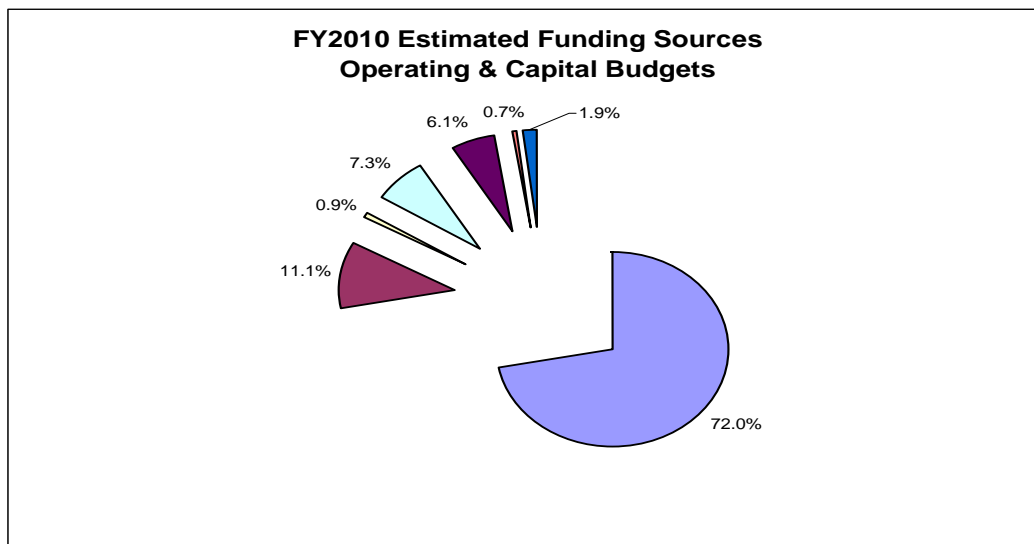
State Cuts Local Aid

While the local aid reductions were less drastic than anticipated, it is possible that further reductions in state aid may occur when the Legislature releases its FY10 budget. In addition to reducing local aid, many grants that support town and school services are cut in FY10. These include community policing grants, library aid, Quinn Bill funds to

support police salaries for qualified officers, Council on Aging grants, grants to schools for special education reimbursements and other specialized education grants. All these grants supported basic town and school operations. On the other hand, the town hopes that some federal economic stimulus funds may supplant these losses.

Revenues

Longmeadow's budgetary revenues are generally comprised of the following: real estate and personal property taxes; state aid; local receipts such as license and permit fees, motor vehicle excise, interest income; and offsets (fees from measured services such as water, sewer, solid waste and recycling, ambulance and childcare programs) which support direct and indirect costs of these fee-based programs.



PROPERTY TAXES (net) - 72.0%	37,923,096.00	72.0%
STATE AID (net) - 11.1%	5,869,974.00	11.1%
AMBULANCE - 0.9%	467,657.00	0.9%
SEWER, WATER & SOLID WASTE ENTERPRISE - 7.3%	3,868,371.00	7.3%
OTHER LOCAL RECEIPTS - 6.1%	3,220,000.00	6.1%
DAY CARE - 0.7%	350,000.00	0.7%
FREE CASH / SBA PROCEEDS - 1.9%	991,412.00	1.9%
TOTALS	52,690,510.00	100.0%

State aid has always comprised a relatively small portion of budgetary revenues for Longmeadow. During periods of economic growth, Longmeadow doesn't experience the full benefit of increasing state aid; however, during period of economic downturns, Longmeadow has been relatively insulated against the dramatic budget cuts experienced by communities more reliant on local aid.

Property taxes are the most reliable source of revenue for Longmeadow's budget. Longmeadow residents supported a Proposition 2 ½ override in 2007, which enabled the town to cover budgets for FY2008, and FY2009, with a remaining reserve of \$318,000

for future use. The override has been instrumental in moderating the impact of cuts in state aid to the town budget. The unreliability of state aid has made the town more reliant on property taxes, which can cause hardship to families and residents whose incomes do not keep pace with tax increases.

The proposed budget has been constructed in a period in which the economy is uncertain, market conditions erratic and the impact on town revenues unknown. It is based on a “best guess” of where the town will be financially between July 1, 2009 and June 30, 2010.

Service Measurement and Accomplishments

As a preface to the FY2010 budget, it may be helpful to highlight a few of the activities and accomplishments of the past 12 months, activities funded through the budget process. These are only a small selection of services and accomplishments supported by the FY 09 budget.

Council on Aging served 1,947 (48%) of Longmeadow’s 4,051 over-sixty population through the Council on Aging.

Council on Aging and Fire Department established a Stay Safe and Warm program for fuel assistance and fire safety during the 2008-2009 winter.

The School Department educated 3,150 students, graduating 206 (98.9 %), with 96% planning to attend college after graduation.

Council on Aging and Health Department conducted flu clinics and administered more than 2,235 inoculations.

Public Works converted traffic signals to energy-efficient LEDs, for an expected 50% energy savings.

Public Works reduced sewer back-up incidents and claims payments from \$ 120,466 in 2006 to \$35,895 in 2008 by improved maintenance and grease trap regulations.

Finance Department implemented “Section 18”, requiring retirees to enroll in Medicare, saving the town \$50,000 in FY09.

More than 1200 full- and part-time employees delivered services to Longmeadow residents in 2008: 252 town employees, 701 school employees. Payroll and benefits were processed through a Human Resources staff of 2.5 FTE.

Public Works, Police, Finance and other departments developed a plan and prepared for 2008 Presidential election to improve traffic flow and voting facilitation.

Storrs Library processed 206,000 materials in circulation and averaged 378 daily visits.

Police responded to 17,835 calls for service.

Police Department is converting fleet to fuel efficient AWD Ford Taurus vehicles to replace the traditional gas-guzzling Crown Victoria.

Fire/EMS responded to 2,200 calls for service; conducted 350 safety inspections and made 490 notifications to residents of emergencies or service interruptions.

Parks and Recreation served more than 5,500 participants in 437 programs.

The Health Department issued 125 licenses, conducted 140 inspections and investigated 59 cases of reportable diseases.

Public Works maintained and plowed 96 miles of road, cleaned 800 catch basins and painted 180,000 feet of roadway markings.

Public Works Street Division converted snow and ice control to salt only, reducing cost of street sweepings disposal by \$24,000 and reducing the amount of sand running into catch basins. Increased catch basin cleaning has improved drainage system and reduced street flooding after heavy storms. Streets are cleared faster and more effectively with the new system and new vehicles.

Public Works Engineering Division solved flooding problem on Brookwood, oversaw repairs to Mill Road embankment erosion, and is developing a plan to reduce flooding in the Williams/Woodside area.

Public Works Grounds Division, with the financial assistance of local youth sports groups, oversaw installation of irrigation at Turner Field and the upper athletic fields at the High School and replaced irrigation heads at Russell Field.

Public Works Building Maintenance Division did extensive work at the Community House, including exterior repairs through the Community Preservation Act funding; coordinated repainting of Storrs Library, major repairs to the LHS and Greenwood roofs, repairs to pools and buildings, flooring replacement at the Adult Center, exterior repair and repainting of the north wing of Center School, heating improvements at Glenbrook School and window and door replacement at Glenbrook and Williams schools.

These accomplishments represent only a small portion of services delivered during the past 12 months. In spite of reduced resources, service improvement is an on-going commitment of the town to its residents.

The FY 2010 Budget

The Town Charter requires that the Town Manager develop and deliver a balanced budget.

The proposed FY2010 budget is a balanced budget predicated on using existing free cash to meet the fixed costs and target budgets set by the Select Board. Service levels and standards were evaluated in the context of reduced resources. This included reducing the total school and town workforce by a net of 11.5 full time equivalents (FTE); improving efficiency, particularly in energy savings; and other operational changes for minor cost savings. Neither requested nor recommended budgets includes any wage settlements: all collective bargaining agreements expire in the summer of 2009.

General Government

Funding for information technology (IT) was increased to support the town's annual maintenance cost of a fiber optic system, expected to be in place in the spring of 2009. Installation of the FIOS system was undertaken in 2008 with funding from the capital plan and will improve reliability and data transmission necessary to the functions of local government.

Election funding decreased because there are no state or federal elections in FY2010.

A part-time clerical position was eliminated in the Assessors Office, a further reduction in the Finance Department from the .5 position eliminated in FY09. It should be noted that as the town has trimmed staff to reduce costs in recent years, there is little or no staff back-up in offices to cover sick leave or vacation leave.

Public Safety

Two vacant positions have been eliminated. The number of sworn officers in the department has been reduced from 31 in 2000 to 25 in 2010. This staffing will be at an appropriate level in FY2010 to sustain services, but such reductions cannot be made in the future without adversely impacting service levels.

Public Works

An additional grounds worker was requested but not funded. As fields are improved, they require more maintenance. The Grounds Division struggled to keep up with mowing and other field maintenance demands last season. This position should be considered if funds can be found.

Community and Cultural Services

In order to more accurately align functions, funding for the nurse at the Adult Center has been transferred to the Health Department. This position currently provides community health services through inoculations and TB testing, and has been instrumental in health emergency preparation and planning. The increasing state and federal health mandates make it necessary that the Health Director have assistance and back-up for these functions. The nurse will continue to work out of the Adult Center and provide existing services to the over-sixty population in Longmeadow.

School Department

The proposed school budget includes 9.0 full time equivalent (FTE) reductions in teaching and clerical staff, and an addition of a 1.0 FTE health teacher, for a net reduction of 8.0. Budgeted positions for FY09 = 438 FTE; revised FY09 budgeted positions = 446 FTE; budgeted positions for FY10 = 438 FTE.

An energy management program is funded and expected to reduce energy costs throughout the school facilities.

Funds are also included for the school portion of annual costs for the new FIOS system.

Details of the school budget are available at the school website, which can be accessed through www.longmeadow.org.

Debt Service/Employee Benefits

Unemployment funding is increased by \$100,000 due to anticipated school layoffs, demonstrating a real cost of eliminating occupied positions. Federal extension of unemployment benefits may impact this account, as well.

The retirement assessment is down by \$130,000 for FY2010, but is expected to rebound in FY2011. This assessment is affected by market performance and requirements for full funding of the system.

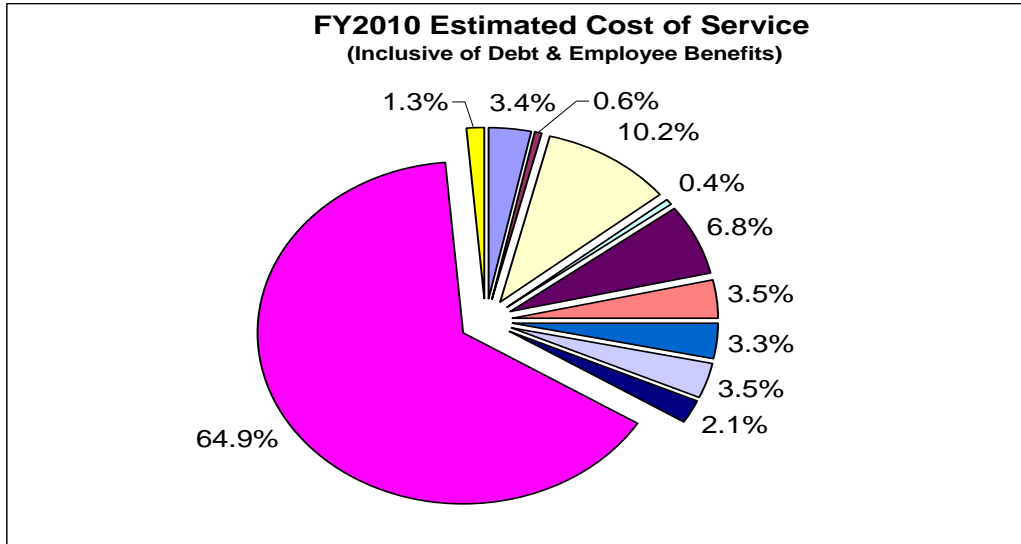
Enterprise Funds

These encompass services that are supported by user fees, such as water, sewer and solid waste/recycling. Fees are set to capture direct and indirect costs of providing these services. Capital plans have been developed for both water and sewer and are under review by the Select Board/Water and Sewer Commission. A full-time sewer position was eliminated. This position, created in FY2009 based on the recommendations of Tighe and Bond's sewer system study, was never filled and the planned responsibilities were able to be distributed among existing DPW employees.

Curbside waste collection and the transfer station/recycling center costs are offset by fees generated from disposal and recycling. Recent changes in global commodity markets have reduced income the town received for metal, paper and other recycled commodities. This has resulted in more of the cost being shifted to the general fund. In FY2010, the increased cost to the general fund for solid waste collection is estimated at \$46,000.

Capital Budget

The proposed capital budget appropriation has been adjusted down to offset reductions in revenues. Combined with unexpended capital allocations, the amount available for capital projects remains substantial at slightly over \$750,000. The Capital Planning Committee has completed its deliberations and has sent to the Select Board its project recommendations.

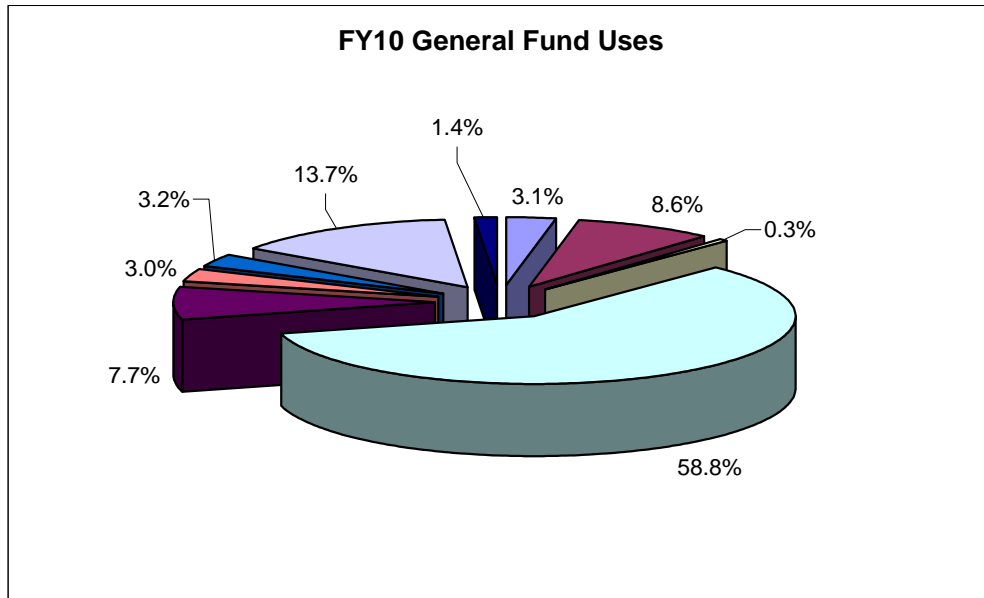


GENERAL GOV'T - 3.4%	1,817,695.49	3.4%
LIABILITY INS - 0.6%	300,000.00	0.6%
PUBLIC SAFETY - 10.2%	5,381,182.28	10.2%
PLANNING & COMM DEV - 0.4%	204,446.36	0.4%
PUBLIC WORKS - 6.8%	3,585,371.16	6.8%
COMMUNITY SERVICES - 3.5%	1,843,554.15	3.5%
WATER FUND - 3.3%	1,739,198.00	3.3%
SEWER FUND - 3.5%	1,843,775.00	3.5%
SOLID WASTE & RECYCLING - 2.1%	1,083,171.19	2.1%
SCHOOL G / F - 64.9%	34,210,805.37	64.9%
CAPITAL - 1.3%	681,311.00	1.3%
TOTALS	52,690,510.00	100.0%

Summary

The FY10 budget is based on the best available knowledge at the time of preparation. It is a revenue-based balanced budget, relying on realistic revenue projections and free cash, but not on use of the Operational Stabilization fund. It includes service and personnel reductions, cost-savings and efficiencies in order to offset reductions in state aid, local revenues and grants that support operations. It does not include cost of collective bargaining contract settlements, but is focused on maintaining the existing workforce to the degree possible. The apportionment of non-restricted general fund revenues among major categories is as follows:

Category:	1-year Trend (09-10)	2 year Trend (08-10)
Municipal	-0.06 %	4.02 %
Education	2.13 %	6.5 %
Employee Benefits/Liability	3.06 %	6.02 %
Curbside Waste Collection	6.37 %	2.36 %



General Government	1,521,849	3.1%
Public Safety	4,216,182	8.6%
Planning & Comm Dev.	163,036	0.3%
Education	28,719,837	58.8%
Public Works	3,781,640	7.7%
Community Services	1,481,856	3.0%
Debt & Interest	1,546,578	3.2%
Employee Benefits	6,709,850	13.7%
Capital	681,311	1.4%
Totals	48,822,139	100.0%

In FY2010, Longmeadow is poised to weather the fiscal turbulence for a variety of reasons:

Unlike many other communities in the Commonwealth, Longmeadow is not overly reliant on state aid. In FY10, this insulates the community from the extent of devastating service cuts being experienced by other communities.

As committed by community leaders, the 2007 override provided the town with funding for three budget years – FY10 being the third year. Because a balanced FY10 budget has been achieved through reductions and use of free cash, the remaining \$318,000 can be reserved for future use.

Departments will continue to look at cost savings and efficiencies in order to sustain services in FY2010 and beyond.

